

HOUSE RESOLUTION 112
By Eckles

A RESOLUTION urging the Council on Pensions and Insurance to thoroughly review the Request for Proposal process for state employee health insurance contracts.

WHEREAS, USA Managed Care Organization has filed a formal protest with the Department of Finance and Administration which recently awarded a contract for state employee health insurance to Blue Cross Blue Shield of Tennessee because, according to USA Managed Care Organization, its own bid of \$50 million less than that submitted by Blue Cross Blue Shield of Tennessee was not considered; and

WHEREAS, the Department of Finance and Administration has taken the position that the state was not obligated to accept USA Managed Care Organization's bid because a Request for Proposal (RFP) had been specified as the method for entering into contract rather than the bid process, and that Blue Cross Blue Shield of Tennessee had scored higher on the RFP process, which considers factors other than cost in scoring; and

WHEREAS, USA Managed Care Organization, which currently manages the state's workers' compensation preferred provider organization (PPO) network for 71,000 state employees, did not receive a score in the cost category because the state stated that it could not evaluate the bid submitted by USA Managed Care Organization; and

WHEREAS, USA Managed Care Organization has claimed that the RFP specifications for the technical component of the proposal were "seemingly developed with the incumbent in

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mind” and has further claimed that it was never given the opportunity to clarify its cost proposal and other questions raised by the State Insurance Committee; and

WHEREAS, it is the position of USA Managed Care Organization that in effect, state officials did not consider the fact that USA Managed Care Organization’s bid would save state employees \$20 million and save the state of Tennessee \$30 million over the life of the contract, at a time when the state faces severe revenue shortfalls and budget cuts; and

WHEREAS, USA Managed Care Organization maintains that it was penalized in the evaluation process even though it has adequate coverage and has stated in a written protest that it has a sufficient number of providers to meet the needs of state employees, but has nevertheless formed a pact with Columbia/HCA to further solidify that need; and

WHEREAS, it is in the best interest of this state that the procedure for the RFP process for state employee health insurance contracts be reviewed and any questions or ambiguities in the latest RFP process be resolved; now, therefore,

BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES OF THE ONE-HUNDREDTH GENERAL ASSEMBLY OF THE STATE OF TENNESSEE, That the Council on Pensions and Insurance be directed to review the procedure for awarding a contract for state employee health insurance under the Request for Proposal process and report its findings and recommendations to the One-Hundredth General Assembly no later than August 1, 1997.

BE IT FURTHER RESOLVED, That no contract for the State of Tennessee RFP Number 317-86-004 for statewide PPO services shall be signed or executed until such complete review has been made by the Council on Pensions and Insurance and its report has been filed.

BE IT FURTHER RESOLVED, That a copy of this resolution be sent to the Chair of the Council on Pensions and Insurance.